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Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D. C. 20554

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Enclosed for filing with the Commission on behalf of the Iowa Telephone Association are the comments of that Association in CC Docket No. 96-45. An original and ten copies are enclosed.

Please date stamp one copy and return it to me at the address below.

Sincerely,



Robert C. Schoonmaker
Vice President

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Iowa Telephone Association
Federal-State Joint Board Service List

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GVNW INC./MANAGEMENT

2270 La Montana Way (80918) P.O. Box 25969 (80936) Colorado Springs, CO (719) 594-5800 FAX: (719) 599-0968

**Before the
Federal Communications Commission
Washington, D.C. 20554**

APR 11 1996

In the Matter of)	
)	
Federal State Joint Board on)	CC Docket 96-45
Universal Service)	

Comments of the Iowa Telephone Association

1 The Iowa Telephone Association (ITA), an association including 153 local exchange telephone
2 companies in the State of Iowa, offers the following comments in response to the Commission's
3 Notice of Proposed Rule Making and Order Establishing Joint Board(NPRM) released on March 8,
4 1996 (Ref. FCC 96-93). Comments offered are on a limited number of subjects raised in the
5 NPRM although the ITA has a wide interest in the impacts that may occur to end users in the State
6 of Iowa and to the ITA's member exchange telephone companies as a result of this proceeding.

7

8 The State of Iowa is provided telephone service by 153 local exchange telephone companies, the
9 largest number of telephone companies in any one state in the nation. While there are a three
10 companies owned by regional and national holding companies, most of the companies in the state
11 provide service in small areas and communities of the state serving, in most instances, only a few
12 hundred customers. (The largest small company in the state serves about 8,500 customers.) For the
13 most part, service areas are rural, many of them with stable or declining populations. Overall

1 population density in the state is 49.3 individuals per square mile, 18th lowest in the country.¹

2 Costs of providing service are, therefore, relatively high.

3

4 Telephone companies within the state receive about \$5.8 million annually from the current

5 Universal Service Fund and an estimated \$16.2 million annually from the DEM weighting

6 mechanism.² This equates to an average support of \$1.18 per customer per month for all customers

7 in the State of Iowa. If one looks at the support levels only in terms of those companies who are

8 recipients of the funds, the importance of the support is even greater. Companies receiving USF

9 funds receive an average support of \$1.90 per customer per month³, while recipients of the DEM

10 weighting receive \$7.60 per customer per month. The elimination or substantial reduction in these

11 support flows could cause substantial impacts on the companies receiving the support and their end

12 user customers.

13

14 Support funds coming into the state over the last ten years have been a substantial contributor to

15 telephone company efforts to improve service capabilities. For example, in 1985 6.3% of Iowa

16 REA borrowers residence subscribers were being served by party lines. By 1993 all REA

17 borrowers residence subscribers had one-party service. In 1985 38% of the exchanges of REA

¹ Data on population density derived from Rand McNally 1993 Commercial Atlas & Marketing Guide, 124th Edition, p. 135.

² Based on data contained in Ex Parte presentation of the National Exchange Carrier Association, Inc. in CC Docket No. 80-286, In the Matter of Part 36 of the Commission's Rules and Establishment of a Joint Board, filed August 24, 1995.

³ Data for loops for average schedule company recipients were extracted from Monitoring Report, CC Docket No. 87-339, May, 1995, prepared by Federal and State Staff for the Federal-State Joint Board in CC Docket No. 80-286, Table 3.9.

1 borrowers had digital switches; in 1993 100% of the REA borrowers' exchanges had digital
2 switches.⁴ Furthermore U.S. Census data shows that the percentage of households in Iowa with a
3 telephone in service has increased from 95.1% in 1985 to 96.8% in 1994.⁵ All of these measures
4 give evidence to the fact that telephone service has improved in Iowa since the Universal Service
5 Fund and DEM weighting mechanisms have been in effect.

6

7 **TRANSITIONAL MECHANISMS (Paragraph 40, NPRM)**

8 Because of the potential impacts on customers that could result from significant changes in support
9 flows, the ITA recommends that the Joint Board and FCC fully analyze the alternatives that are
10 proposed in this proceeding to evaluate the cumulative impacts that individual local exchange
11 telephone companies will incur from any alternative that it intends to adopt, and its implications on
12 end user rates from their customers. The ITA strongly recommends that a transitional mechanism
13 be established to mitigate the financial impacts of any change in funding for USF and DEM
14 weighting mechanisms over several years. Such a transitional mechanism seems consistent with
15 the Act's⁶ requirement that Universal Service mechanisms be predictable.⁷

16

17 **Telecommunications Carriers to Receive Support for Providing Educational Services** 18 **(Paragraph 88)**

19

⁴ Data for 1985 and 1993 comes from the 1985 and 1993 Statistical Report Rural Telephone Borrowers prepared by the United States Department of Agriculture, Rural Electrification Administration, Information Publication 300-4, respectively.

⁵ See Monitoring Report, *op. cit.*, Table 1.2.

⁶ The Telecommunications Act of 1996, Pub. L. No. 104-104, 100 Stat. 56 (1996) (to be codified at 47 U.S.C. §§ 151 *et seq.*)

⁷ See Section 254(b)(5) of the Act.

1 The NPRM notes that reimbursement for discounted services to schools and libraries under
2 Section 254 (h)(1)(B) must be given to “all telecommunications carriers serving a geographic
3 area.” In developing rules implementing this section the Joint Board and Commission must be
4 certain to refer to the definitions in the Act to determine eligibility for receipt of such funds.
5 Specifically the Act defines a telecommunications carrier as:

6 “...any provider of telecommunications services, except that such term does not include
7 aggregators of telecommunications services (as defined in section 226). A
8 telecommunications carrier shall be treated as a common carrier under this Act only to the
9 extent that it is engaged in providing telecommunications services, except that the
10 Commission shall determine whether the provision of fixed and mobile satellite service
11 shall be treated as common carriage.”⁸
12

13 Furthermore the Act specifically defines telecommunications service as:

14 “...the offering of telecommunications for a fee directly to the public, or to such classes of
15 users as to be effectively available directly to the public, regardless of the facilities
16 used.”⁹
17

18 While carriers providing services for a fee directly to the public thus meet the definition of a
19 telecommunications carrier, private network providers (such as electric company networks or
20 corporate networks) and state sponsored private networks (such as Iowa Communications
21 Network) that do not provide services directly to the public should not be eligible for these
22 support funds.
23

24 **Carrier Common Line Recovery (Paragraphs 112-114)**

25 The Commission’s discussion in the NPRM suggests that the imposition of charges on
26 interexchange carriers for the use of the facility from the central office to the subscriber location

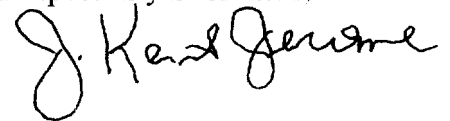
⁸ Section 3(r)(48).

⁹ Section 3(r)(50).

1 (the local loop) instead of recovering such costs directly from end users could be considered a
2 “universal service support flow” which might not be consistent with the Act. The Commission’s
3 discussion suggests that commentators argue that “...all costs associated with facilities dedicated to
4 the use of a single subscriber should be recovered through a flat...charge assessed on end
5 users.”¹⁰

6 The Association does not believe that the “universal service support flow” characterization is
7 warranted. First of all, in an increasing number of cases, the use of digital loop carrier and loop
8 concentrators is changing the nature of local loop plant so that an increasing portion of it is not
9 “dedicated to the use of a single subscriber”. The local loop is an essential part of the facilities
10 necessary for interexchange carriers to originate calls from and terminate calls to their end user
11 subscribers. To suggest that requiring them to pay some of the cost of using those facilities is a
12 “universal service support flow” is inappropriate. The Association will leave it other
13 commentators to explore the question of the economic efficiency of end users charges as opposed
14 to charges to carriers to recover such costs.

Respectfully Submitted,



J. Kent Jerome
Secretary-Treasurer
Iowa Telephone Association
1601 - 22 Street, Suite 290
West Des Moines, Iowa 50266
515-225-2091

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¹⁰ NPRM, Paragraph 113.



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Sincerely,

A handwritten signature in black ink, appearing to read "Robert C. Schoonmaker". The signature is fluid and cursive, with the first name "Robert" and last name "Schoonmaker" clearly visible.

Robert C. Schoonmaker
Vice President

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